

U.S. Congresswoman Judy Biggert
Opening Statement-Oversight and Investigations Subcommittee
How much are Americans at risk until Congress Passes
Terrorism Insurance Protection
February 27, 2002

Madam Chair: January 1st has come and gone, and, as predicted, a major change in insurance and reinsurance coverage is taking place that threatens our economy. Months ago, in the wake of 9-11, many members here predicted what has now, in fact, occurred: most reinsurance renewals now *exclude* coverage for terrorism, and most primary insurers will *exclude* terrorism coverage in the coming months.

It is because we anticipated this outcome that we on this Committee and the full House acted quickly late last year to pass a terrorism insurance bill.

But, sadly, our Senate colleagues did not take quick action. They did not take any action -- not before the January 1 renewal deadlines, and not since January 1. Unfortunately, as with so many other issues during this Congress -- when it comes to terrorism insurance and reinsurance coverage, our colleagues in the Senate seem to have their heads buried in the sand.

It is my hope that some of our Senate colleagues might be motivated by the comments made this morning by Federal Reserve Chairman Alan Greenspan, who did not mince his words. He said, quite simply, that passing a terrorism insurance bill is critical to stabilizing the marketplace. Chairman Greenspan is not alone in this view. Even the General Accounting Office has noted that, without a terrorism insurance bill, there will continue to be a significant drag on our economy.

Unfortunately, this burden has fallen particularly hard on one segment of the economy that can least afford to live without terrorism coverage -- our public self-insured risk pools. These risk pools -- more than 125 operating in forty-one states -- help local governments, school districts, housing authorities, and other public entities to provide necessary insurance protection.

They provide coverage to those most often at greatest risk -- police officers, firefighters, and emergency medical personnel -- as well as teachers and students, municipal employees, and many others. We all know that these public entities cannot absorb the costs of terrorism risk across their membership base.

I have heard from several risk pools in my state that are desperate for help. In Illinois, the Assisted Housing Risk Management Association (AHRMA) no longer has coverage for an act of terrorism. That self-insured pool covers public housing authorities across my state.

The Illinois School District Agency (ISDA), a self-insured risk pool covering public school districts in Illinois, has been told that its July 1st renewal will have a terrorism exclusion.

And the Department of Insurance in Illinois is now allowing the exclusion of terrorism coverage in new and renewal policies. So my state becomes one of 45 states that are allowing such exclusions to be written into policies.

The need for Congress to act has never been greater.

Large self-insured pools and individual self-insurers such as the City of Chicago will pay as much as four times their expiring premium to buy the additional coverage necessary in the coming year.

Make no mistake – public self-insured risk pools are more vulnerable than other entities. They provide enormous savings to taxpayers.

In choosing to do nothing, the Senate threatens to undermine a system that our policemen, firemen, schoolteachers, tradesmen, assembly line workers, commercial property owners, and others depend on. Without a federal solution, our workers, businesses, and public institutions will suffer. I hope that the members of this panel will not hesitate to place the blame where it rightly belongs – with the do-nothing Senate.